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BACKGROUND: DISTRIBUTION OF ELECTRICITY

Report Highlights

- Allow municipal electric utilities to absorb Ontario Hydro Retail's assets and customers - making sure that no serviced area loses its service.
- Reduce the number of distribution utilities from the current total of 307.
- Create community-based organizations to serve remote communities that are not connected to the transmission system.

Existing System

Electricity is distributed by Ontario Hydro Retail (1 million customers, 100 large direct customers) and 307 publicly-owned, not-for-profit municipal electric utilities (2.8 million customers). There are 33 electric power systems in remote communities -- operated by either Ontario Hydro or the local First Nation community.

Ontario Hydro sets wholesale rates, and must approve the retail rates set by municipal electric utilities. Ontario Hydro sets rates for its own retail customers. There is no effective regulation of Ontario Hydro.

Reasons for Change

Fewer municipal utilities would offer potential for economies of scale, as well as operational efficiencies and cost savings in areas such as billing, collection and administration.

In a competitive electricity system, distribution utilities would need to manage a portfolio of supply contracts and other financial mechanisms (futures, options and other market-hedging tools). They would also require the ability to introduce and operate technologies for system and load control, metering and billing, construction and operational practices. Because local utilities would no longer be able to rely on Ontario Hydro for technical and other support and advice, the Advisory Committee recommends that there be fewer, larger distributors.

The number of distribution utilities can best be reduced by expanding existing service areas wherever possible to meet the boundary of the neighbouring utility -- following county/regional lines. In less populated areas, the boundary of a distributor would be drawn to include all serviced areas.



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